

Message Text

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AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

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TAGS: BEXP, PK

SUBJ: FOREIGN GOVERNMENT TRADE OPPORTUNITY -

PAKISTAN RAILWAYS

REF: LAHORE 0086

1. AT MEETING WITH EMBASSY ECON COUNSELOR AMSTUTZ AND CONGEN OFFICERS IN LAHORE NOVEMBER 12, M. A. AZIZ, CHAIRMAN OF PAKISTAN RAILWAYS (PR), OFFERED FOLLOWING INFO ON PR LOCOMOTIVE REQUIREMENTS AND PLANS FOR ASSEMBLING LOCOMOTIVES IN PAKISTAN.

2. PR HAS RECEIVED ALMOST ALL OF THE 68 DIESEL LOCOMOTIVES IT HAS PURCHASED FROM GENERAL MOTORS (ROUGHLY HALF 3000 HP AND HALF 1500 HP), AND IS PLEASE WITH THEIR INITIAL PERFORMANCE. ALL ARE BASED IN KARACHI AND USED ON MAIN LINE BETWEEN KARACHI AND KHANEWAL (START OF ELECTRIFIED LINE).

3. PR NOW ESTIMATES IT WILL NEED AN ADDITIONAL 227 NEW DIESEL LOCOMOTIVES THROUGH 1981. THIS IS MINIMUM FIGURE AND EXCLUDES REPLACEMENTS FOR PRESENT STEAM UNITS AND LATER MODEL DIESELS. MOST OF NEW DIESELS WILL BE SMALLER

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1500 HP UNITS WHICH CAN BE SWITCHED TO BRANCH LINES AS

ELECTRIFICATION OF MAIN LINES PROCEEDS (PR EXPERIENCE IS ELECTRIFICATION GIVES 20PC SAVING IN OPERATING COSTS).

4. AZIZ THEN CONFIRMED THAT GOP HAD GIVEN SANCTION TO PR TO ASSEMBLE DIESEL LOCOMOTIVES IN PAKISTAN AND THAT PR WOULD SOON BE LETTING CONTRACTS FOR CONSTRUCTION OF FACILITIES TO HOUSE ASSEMBLY PROCESS AT RAILWAY WORKSHOPS ISLAMABAD (REFTEL). HE INDICATED PR WOULD BE "FREE TO MAKE OWN ARRANGEMENTS," I.E., THAT GOP WOULD SUPPORT ANY ASSEMBLY SCHEME WHICH WOULD NOT REQUIRE SIGNIFICANT GOP FINANCIAL SUPPORT.

5. RUMANIANS HAVE BEEN PRESSING GOP TO AGREE TO ESTABLISHMENT OF RUMANIAN-SPONSORED DIESEL ASSEMBLY PLANT (UTILIZING DESIGNS FOR AMERICAN ALCO LOCOMOTIVES FOR WHICH THEY HAVE PURCHASED LICENSE). AZIZ IS UNHAPPY OVER PROSPECT OF THIS RUMANIAN COLLABORATION. HE CONSIDERS ALCO MODEL, WITH WHICH PR HAS HAD EXTENSIVE EXPERIENCE, "SECOND RATE" AND BY TIME IT PASSES THROUGH RUMANIAN HANDS IT WOULD PROBABLY BE "THIRD RATE." HE NOTED THAT ALTHOUGH DECISION HAD BEEN MADE TO ASSEMBLE DIESELS IN PAKISTAN, HE WOULD RESIST POLITICAL PRESSURE TO ACCEPT RUMANIAN MANUFACTURE AS LONG AS HE CAN. HE CLEARLY PREFERS GENERAL MOTORS ASSEMBLY COLLABORATION AND HOPES BE ABLE REACH FIRM AGREEMENT WITH THEM IN NEXT SIX MONTHS AS DISCUSSED PREVIOUSLY WITH ROSE OF GM. IF DECISION DELAYED BEYOND THIS TIME, HE FEARED PRESSURE TO ACCEPT RUMANIAN OFFER WOULD BUILD UP SINCE DELAY WOULD BE TAKEN AS AMERICAN DISINCLINATION TO PARTICIPATE.

6. COMMENT: WHILE AZIZ OBVIOUSLY FAVORS GM DIESELS, AT SOME POINT -- WHICH NEITHER HE NOR POST CAN PREDICT ACCURATELY -- COMPELLING COMPETITIVE ADVANTAGE WILL ACCRUE TO PARTY COOPERATING IN LOCAL ASSEMBLY. WHATEVER THE SPECIFIC ECONOMICS OF LOCAL ASSEMBLY OF DIESEL LOCOMOTIVES MAY BE (WHICH POST IS NOT COMPETENT TO JUDGE), LOCAL ASSEMBLY IS INSISTENT NEW THEME IN PLANS OF VARIOUS QUASI-GOVERNMENTAL ORGANIZATIONS SUCH AS WAPDA (PLASTIC TUBEWELL COMPONENTS) AND STATE CEMENT CORPORATION. NOTE ALSO THAT FULLER COMPANY OBTAINED RECENT JAVEDAN CEMENT PLANT EXPANSION CONTRACT LIMITED OFFICIAL USE

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LARGELY ON BASIS OF ITS WILLINGNESS TO PERMIT LOCAL FABRICATION OF ABOUT 30PC OF COMPONENTS (LAHORE 1055).

7. PLEASE PASS GIST OF ABOVE TO GENERAL MOTORS. POST AND EMBASSY WOULD APPRECIATE KNOWING THEIR REACTION TO POSSIBLE COLLABORATION IN ASSEMBLY OF GM DIESELS HERE.

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